

## Message Text

PAGE 01 NATO 01610 241224Z

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-02 ACDA-05

NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00 SAJ-01

DODE-00 EB-07 COME-00 OES-03 NIC-01 /052 W

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R 241115Z MAR 75

FM USMISSION NATO

TO SECSTATE WASHDC 788

INFO AMEMBASSY BUCHAREST

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E.O. 11652: N/A

TAGS: ECON RO NATO

SUBJ: ECONADS: REPORT ON ECONOMY OF ROMANIA

REF: STATE 54305

1. ECONOMIC DIRECTORATE REDRAFTING REPORT ON ECONOMY OF ROMANIA (AC/127-WP/419) TO TAKE INTO ACCOUNT COMMENTS OF US AND UK DELEGATIONS. NEW WORDING OF INTRODUCTORY PARAGRAPHS AND OTHER CHANGES PROPOSED BY DIRECTORATE FOLLOW BELOW. REQUEST DEPARTMENT'S COMMENTS.

2. QUOTE

THE FOLLOWING CHANGES IN THE WORKING PAPER HAVE BEEN SUGGESTED BY THE UNITED KINGDOM (MINISTRY OF DEFENCE LETTER OF 5TH MARCH) AND UNITED STATES DELEGATIONS (LETTERS OF MR. GOODSPEED OF 7TH AND 12TH MARCH):

THROUGHOUT THE REPORT: CHANGE SPELLING FROM "RUMANIA" TO "ROMANIA".  
PARAGRAPHS 1-4: EXPAND TO FIVE PARAGRAPHS AND CHANGE TO READ:

"ROMANIAN ECONOMIC DEPENDENCE ON THE USSR DOES NOT APPEAR TO HAVE INCREASED IN 1974 DESPITE THE SHARP RISE IN WORLD PRICES OF IMPORTANT COMMODITIES (E.G. CGAL, STEEL) SUPPLIED BY MOSCOW. COAL IMPORTS FROM THE US AND POLAND INCREASED AND THE SOVIET

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PAGE 02 NATO 01610 241224Z

SHARE OF ROMANIAN FOREIGN COMMERCE DECLINED TO 20 PERCENT.

2. ROMANIA HAS ADOPTED A SOMEWHAT MORE CONCILIATORY PUBLIC STANCE TOWARD THE USSR, ACCOMPANIED BY MORE FREQUENT EXPRESSIONS OF DESIRE FOR INCREASED ECONOMIC CO-OPERATION. THERE IS NO

SIGN, HOWEVER, OF ANY FUNDAMENTAL CHANGE IN ROMANIA'S "SEMI-INDEPENDENT" POLICY TOWARD THE USSR. SOME MENDING OF ECONOMIC FENCES HAS OCCURRED, THOUGH SOME EXPERTS FELT THIS WAS DIRECTED MORE TO OTHER EAST EUROPEAN COUNTRIES WITH THE AIM OF MOBILISING A COUNTERPOISE AGAINST THE USSR.

3. THE ROMANIANS SEEM CONFIDENT REGARDING HARD-CURRENCY TRADE, EXPECTING A CONTINUED RISE IN THE COMPETITIVENESS OF THEIR EXPORTS IN WESTERN MARKETS, PARTICULARLY AS REGARDS MANUFACTURED GOODS. IN 1974, EXPORTS OF MEAT WERE REDUCED BUT ROMANIAN HARD-CURRENCY EARNINGS WERE IMPROVED BY HIGH WORLD PRICES FOR REFINED OIL, CHEMICALS, AND FERTILIZER. FOR THE FUTURE, EXPORTS OF PETROCHEMICALS FACE IMPROVING PROSPECTS BECAUSE ROMANIA'S OIL TECHNOLOGY IS TO A SUBSTANTIAL EXTENT MODERN AND IMPORTED FROM THE WEST. SOME EXPERTS SAW ROMANIAN PRESSURE ON WESTERN GOVERNMENTS REGARDING GATT PRIVILEGES AS AN ATTEMPT TO HANG ON TO THE BEACH-HEAD IN WESTERN MARKETS.

4. THE MAIN ROMANIAN CONCERNS ARE THAT (I) WESTERN CREDITS WILL TAPER OFF, FORCING A CURTAILMENT OF HARD-CURRENCY IMPORTS, AND (II) A PRONOUNCED RECESSION IN THE WEST MIGHT CUT DEMAND FOR ROMANIAN EXPORTS. IN THE LATTER CASE, HOWEVER, BUCHAREST HAS HOPES OF ALTERNATIVE DEALS WITH ARAB COUNTRIES. THE DEBT BURDEN OF ROMANIA, WHILE HARSH, WILL PROBABLY BE MANAGEABLE IF HARVESTS ARE REASONABLE, PERMITTING SIZEABLE MEAT EXPORTS.

4BIS. IN DOMESTIC POLICY THE 1976-80 PLAN REFLECTS A CONTINUED COMMITMENT TO CENTRAL DIRECTION, AND ALL SIGNS POINT TO EVEN FURTHER CENTRALIZATION. ENTERPRISES ARE LOSING THEIR FOREIGN TRADE AUTHORITY AND MAJOR EXPENDITURES OF HARD-CURRENCY MUST NOW BE APPROVED BY CEAUSESCU. INVESTMENT IS TO EXPAND AS A SHARE OF TOTAL RESOURCES AND LITTLE INCREASE IN LIVING STANDARDS IS OFFERED CONSUMERS, WHO ARE ALREADY BEING ASKED TO WORK 10 PERCENT HARDER (COMPLETING THE 1971-75 PLAN AHEAD OF SCHEDULE."

PARAGRAPH 5, LAST THREE SENTENCES: CHANGE TO READ: "BUT THE PEOPLE WILL PROBABLY CONTINUE TO ACCEPT THE REGIME'S HARSH ECONOMIC FORMULAS OUT OF NATIONALISTIC FEELINGS WHETTED BY CEAUSESCU'S INDEPENDENCE FROM THE USSR."

PARAGRAPH 13: CHANGE SECOND SENTENCE TO READ: "NATURAL GAS NOW LIMITED OFFICIAL USE  
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PAGE 03 NATO 01610 241224Z

ACCOUNTS FOR ABOUT ONE-HALF OF ENERGY REQUIREMENTS; PETROLEUM ACCOUNTS FOR 27-33 PERCENT; AND COAL AND HYDRO-ELECTRIC POWER, THE REMAINDER."

PARAGRAPH 14: THIRD SENTENCE: AFTER "IMPORT OF CRUDE OIL" ADD "FOR RE-EXPORT AS PRODUCTS".

FOURTH SENTENCE: ADD "WHILE EXPORTS OF REFINED OIL ROSE TO 5.3 MILLION TONS."

FIFTH SENTENCE: CHANGE "STILL" TO "THUS".

PARAGRAPH 21: SECOND SENTENCE: DELETE "IN CERTAIN INDUSTRIES".

PARAGRAPH 22: SECOND SENTENCE: CHANGE "\$2.3 BILLION TO \$2 BILLION OR MORE".

PARAGRAPH 24: FIRST SENTENCE: AFTER "ADVANCED" ADD "WESTERN".

PARAGRAPH 25: FIRST SENTENCE: AFTER "EXPORTS" ADD "TO THE WEST".

PARAGRAPH 26: FIRST SENTENCE: DELETE "IN SELECTED INDUSTRIES".

SECOND SENTENCE: AFTER "(WEST GERMANY)" ADD "L'ELECTRONIQUE  
APPLIQUEE (FRANCE)".

PARAGRAPH 28: FOURTH SENTENCE: ADD AT END: "AND EURO-CURRENCY  
BORROWING."

PARAGRAPH 30: FIRST SENTENCE: CHANGE TO READ: "PRODUCTION OF  
CRUDE OIL IS SCHEDULED TO INCREASE TO 15.5 MILLION TONS BY  
1980. SUCH AN INCREASE WOULD UNDOUBTEDLY BE MORE THAN  
OFFSET BY RISING DOMESTIC CONSUMPTION, UPPING IMPORT RE-  
QUIREMENTS; IN ANY CASE, OIL OUTPUT SEEMS MORE LIKELY TO  
REMAIN ROUGHLY AT ITS PRESENT LEVEL OF 14.3 MILLION TONS."

PARAGRAPH 32: LAST SENTENCE: DELETE "RISING".

THROUGHOUT THE REPORT: RENUMBER ALL PARAGRAPHS FROM 4 BIS ON.  
UNQUOTE. BRUCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 18 AUG 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975NATO01610  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
**Film Number:** n/a  
**From:** NATO  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1975/newtext/t19750398/abbrzixu.tel  
**Line Count:** 126  
**Locator:** TEXT ON-LINE  
**Office:** n/a  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 54305  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 28 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <28 APR 2003 by CunninFX>; APPROVED <20 MAY 2003 by MorefiRH>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONADS: REPORT ON ECONOMY OF ROMANIA  
**TAGS:** ECON RO NATO  
**To:** STATE INFO BUCHAREST  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006